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KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR SECOND YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCI 221

**COURSE TITLE: INSURANCE AND RISK
MANAGEMENT**

DATE: 20/05/2022

TIME: 9.00AM – 11.00AM

INSTRUCTION TO CANDIDATES

- 1) The paper contains **FIVE** questions
- 2) Attempt **THREE** questions
- 3) Question **ONE** is Compulsory

KIBU observes **ZERO** tolerance to examination cheating

QUESTION ONE (30 MARKS)

- a) Explain critically the meaning of the terms "Risk Management" and " Insurance Management" (6 marks)
- b) Bring out and explain clearly the comprehensive steps used by an organization in risk management processes both before and after occurrences of loss (8 marks)
- c) Discuss the principles of Utmost Good Faith and Proximate Cause as used in Insurance Contract (6 marks)
- d) Supporting your recommendations as an Insurance Expert, advice on the specific Insurance Policies to be affected to meet the following needs:
- (i) Patapotea bank is worried that there might be default on loans due to premature death of the borrowers (2 marks)
 - (ii) A Kenyan airline worried that passengers might be injured or die on its premises (2 marks)
 - (iii) A Surgeon at Bungoma Hospital is worried that he could be sued if death or disability arises from an operation (2 marks)
 - (iv) 4th Year Student at Kibabii University Kipmoy is worried that his laptop may be accidentally lost or damaged (2 marks)
 - (v) Ms. Nekesa who has had a good working life of employment is worried that age is catching up very fast and may exit from her employment (2 marks)

QUESTION TWO (20 MARKS)

- a) In the recent years, many companies have strategically hired Risk Managers to oversee all aspects of loss and insurance management. Explain the functions of the Risk Manager in an organization (12 marks)
- b) Discuss the essential characteristics of a valid insurance contract (8 marks)

QUESTION THREE (20 MARKS)

- a) In the management of Business Risk Exposures (BRE) in an organization, a risk manager should critically analyze all elements of loss exposures. Briefly discuss the elements that the risk manager should consider in the management of Business Risk Exposure (8 marks)
- b) You have newly been employed by Kibabii University to manage their personal insurance portfolios. Give a brief presentation on the type of personal insurance policies currently available in the insurance markets (12 marks)

QUESTION FOUR (20 MARKS)

- a) Discuss with clear practical examples;
- (i). Principle of Subrogation (5 marks)
- (ii). Principle of Contribution (5 marks)
- b) Modern business in Kenya today cannot function properly without Insurance and Risk Management. Discuss (10 marks)

QUESTION FIVE (20 MARKS)

- a) Describe the factors affecting the choice between Risk Retention and Risk Transfer in an organization (10 marks)
- b) As a risk financing technique, planned retention, commonly known as self insurance is becoming a popular way of financing potential loss. Clearly outline and explain FIVE methods of Self insurance (10 marks)